

SOUTHERN CHARTER FINANCIAL GROUP LIMITED

15 December 2022

Dear Shareholder

Please find **enclosed** notice (**Notice**) of Southern Charter Financial Group Limited's (**SNC** or the **Company**) special meeting (**Meeting**) which will be held online on Monday 9 January 2023, starting at 3:00pm NZDT.

SNC has entered into a conditional, exclusive and worldwide licence agreement (**Licence Agreement**) with Three Summit Ventures PTE. Ltd (the **Licensor**) for the use of intellectual property that will enable SNC to manufacture and supply a self-cleaning, antimicrobial, surface coating product (**Coating Product**) that potentially has a wide range of applications, but initially will be supplied as a product that can be applied to glass. SNC is currently negotiating an outsourcing services contract with the Licensor under which SNC proposes to engage the Licensor to set up a pilot manufacturing facility and recruit key personnel to initiate the production of the Coating Product on a commercial scale (**Pilot Outsourcing Agreement**).

The Licence Agreement is conditional on SNC obtaining the shareholder approval required to complete the transactions contemplated by the Licence Agreement by Tuesday 31 January 2023. Following shareholder approval, SNC proposes to enter into further agreements (including, if agreed and finalised by the parties, the Pilot Outsourcing Agreement) as required for the future commercialisation, manufacture, and supply of the Coating Product.

NZX Listing Rule 5.1.1(a) provides that, except with prior approval by an ordinary resolution, SNC may not enter into any transaction or related series of transactions to acquire, sell, lease, exchange, or otherwise dispose of assets of SNC which would significantly change, either directly or indirectly, the nature of SNC's business. Entry into the Licence Agreement and any subsequent transactions or agreements to commercialise the rights granted under the Licence Agreement will constitute a change in the nature of SNC's business. The Board, therefore, seeks shareholder approval in accordance with NZX Listing Rule 5.1.1(a) to enter into the Licence Agreement and any related series of transactions.

Board Recommendation

The Board has been investigating opportunities for SNC to acquire a new operating business since the sale of its wholly owned subsidiary, Lateral Profiles Limited, in 2018. Entry into the Licence Agreement and commercialisation of the rights granted under the Licence Agreement (including the commencement of the manufacture and supply of the Coating Product) provides SNC with an opportunity to commence and grow an operating business without the need for obtaining new capital investment that could dilute current shareholders' shareholdings. The Board considers that SNC's entry into the Licence Agreement is in the best interests of SNC and its shareholders and recommends that shareholders vote in favour of the resolution outlined in this Notice.

The **enclosed** proxy form has detailed instructions on how shareholders may lodge their vote or appoint a proxy to vote on their behalf if they are unable to attend the meeting online. Shareholders may submit specific questions to the Board at any time in advance of the meeting by emailing me at john.cilliers@outlook.co.nz.

I look forward to seeing you at the meeting.



John Cilliers
Director

NOTICE OF SPECIAL MEETING

If you have sold or otherwise transferred all of your shares in SNC, please pass this Notice, together with all accompanying documents, as soon as possible to the purchaser or transferee or to the broker or other person who arranged the sale or transfer of your shares.

Notice is hereby given that the special meeting (**Meeting**) of shareholders of Southern Charter Financial Group Limited (**SNC** or the **Company**) will be held online on Monday 9 January 2023 starting at 3:00pm NZDT.

VIRTUAL SHAREHOLDER MEETING

To participate in the meeting online please use the following link to SNC's virtual meeting Zoom platform:

<https://us02web.zoom.us/j/86941652872?pwd=SHMzSkhpanhUSzM2NzFMSklic1cudz09>

Shareholders are encouraged to vote via their proxy form before the meeting.

AGENDA

- A. Chairman's introduction.
- B. Presentation to shareholders.
- C. Shareholder discussion.
- D. Resolution.

RESOLUTIONS

To consider and, if thought fit, to pass the following Ordinary Resolution:

1. Approval of Entry into Licence Agreement and related series of transactions: That, under NZX Listing Rule 5.1.1(a), SNC's entry into the Licence Agreement and any related series of transactions to commercialise the rights granted under the Licence Agreement on the basis described in this Notice is approved.

PROCEDURAL NOTES

Proxies

Any shareholder of SNC who is entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on their behalf. A corporation which is a shareholder may appoint a representative to attend the Meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of SNC. A proxy form can be returned by delivery, mail, email or online (as set out below).

The Chair of the Meeting and any of the Directors are prepared to act as proxy. Where any Director is appointed as a discretionary proxy and is not prohibited from voting, each of the Directors intends to vote in favour of the Resolution.

To appoint a proxy you should complete and sign the enclosed Proxy Form and either return it by delivery, mail email or online to the share registrar of SNC:

By delivery:

Southern Charter Financial Group Limited
(C/- Link Market Services Limited
Level 30, PwC Tower
15 Customs Street West
Auckland

By mail:

Southern Charter Financial Group Limited
(C/- Link Market Services Limited
PO Box 91976
Auckland 1142

By email: meetings@linkmarketservices.com (please put the words “*Southern Charter Financial Group Limited Form*” in the subject line for easy identification)

You may also lodge your proxy online at <https://investorcentre.linkmarketservices.co.nz/voting/SNC>. You will require your CSN/Holder Number and FIN to complete your proxy appointment. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by Link Market Services no later than 9:00am NZDT on Monday 9 January 2023. Online proxy appointments must also be completed by this time. Registered shareholders at that time will be the only persons entitled to vote at the Meeting and only the shares registered in those shareholders’ names at that time may be voted at the Meeting.

Ordinary Resolution

The resolution is an ordinary resolution. An ordinary resolution is passed by a simple majority of votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

Voting Restrictions

There are no voting restrictions applicable to the Resolution.

NZ RegCo No Objection

This Notice of Meeting has been reviewed by NZX Regulation Limited (**NZ RegCo**). NZ RegCo has confirmed it has no objection to this Notice of Meeting but takes no responsibility for the contents of this Notice of Meeting.

EXPLANATORY NOTES

INTRODUCTION

On 12 October 2022, Southern Charter Financial Group Limited (**SNC**) entered into a conditional licence agreement (**Licence Agreement**) with Three Summit Ventures PTE. LTD, a company incorporated and registered in Singapore (**Licensor**). The Licence Agreement has an effective date of 2 September 2022.

At the time of entry into the conditional Licence Agreement, the opportunity under the Licence Agreement was under negotiation and the SNC Board's due diligence into the opportunity was not yet complete. Entry into the conditional Licence Agreement provided the SNC Board with access to additional information on the intellectual property underlying the Licence Agreement. This enabled the SNC Board to undertake the due diligence needed to determine if an opportunity existed that could be recommended to shareholders.

As at the date of this Notice of Meeting, the SNC Board has sufficient information on the Licence Agreement and the proposed commercialisation of the rights to be granted under the Licence Agreement to disclose the opportunity to shareholders and seek approval for entry into the Licence Agreement.

Under the Licence Agreement, the Licensor has agreed to grant SNC an exclusive, worldwide, sub-licensable licence to manufacture, use, sell, distribute, import and export a self-cleaning, transparent, antimicrobial, surface coating product (**Coating Product**) based on or using the Licensor's intellectual property. The licence is for an initial term of three years from 2 September 2022 (being the date of effect of the Licence Agreement), that (unless either party gives written notice to the contrary at least three months before the end of the Term) automatically renews for further three-year terms (each three-year period being a **Term**). The Licence Agreement is conditional on SNC shareholder approval.

The fee for each Term is SGD\$5,794.30 (NZD\$6,678.51), plus a royalty of 2.1% of actual gross revenue received by SNC for the sale of the Coating Product during the relevant Term. All fees under the Licence Agreement will be fully paid in cash.

All amounts set out in NZD are converted at an exchange rate as at the date of this Notice.

ABOUT THE LICENSOR AND COATING TECHNOLOGY

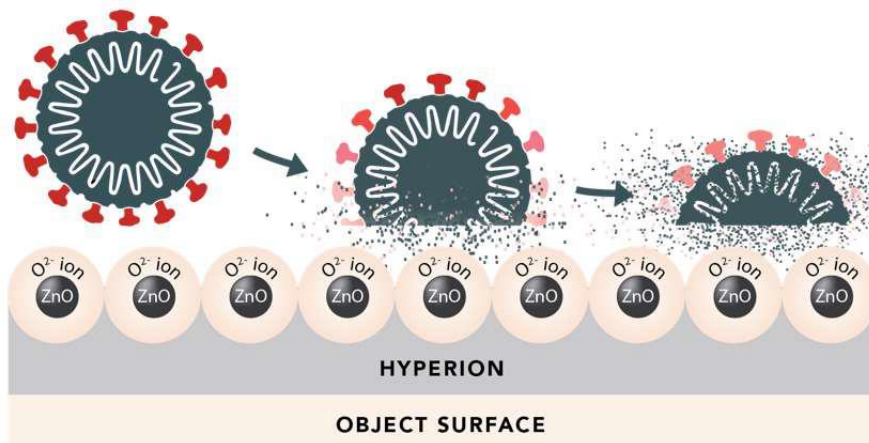
Licensor

The Licensor was established on 6 May 2019 in Singapore as a special purpose vehicle to hold the intellectual property rights relating to the Coating Product and obtain funds from the Singaporean government through Republic Polytechnic to further develop a commercially viable Coating Product to supply to manufacturers in a raw material form. The Licensor entered into an Agreement for Research Collaboration with Republic Polytechnic in December 2020 under which the parties conducted research into the development and testing of the Coating Product.

Coating Product

Pathogens are disease causing organisms. Some pathogens can live on inanimate surfaces for several days or even weeks without a host organism. Surfaces contaminated with pathogens can therefore become a vehicle for spreading infection. The most common methods used to kill bacteria involves chemical disinfectants which may lead to secondary contamination and drug resistance. Coating surfaces with antimicrobials is an effective way to reduce the spread of pathogens. They can also be used to kill other microorganisms that live on surfaces, such as bacteria and mould, to prevent them from growing and causing disease.

The Coating Product is an antimicrobial zinc oxide coating suitable for glass windows that is fabricated using a full chemical bath deposition method. The zinc oxide coating inhibits microbes through its nanostructure and photocatalytic properties which generate reactive oxygen species. The reactive oxygen species attacks and ruptures the cell wall of microbes. The cell wall separates the constituents of cells from the surroundings. When ruptured, constituents of the cell get exposed to the surroundings, spilling out from the cell. No longer able to maintain the cell's survival, it dies.



This photocatalysis process also gives the Coating Product self-cleaning properties by potentially reducing the amount of adhered dead contaminants on surfaces, thereby prolonging the Coating Product's effectiveness.

The Coating Product uses common, non-toxic reagents that are inexpensive and are transparent, providing over 80% and up to 95% light transmission, hence suitable for glass surfaces. The Coating Product is insoluble in water, making it durable and suitable for applications involving water contact, such as in water treatment systems. It is stable in high temperatures and works well with or without natural light or UV, making it suitable for all types of weather conditions and seasons.

The Coating Product has been tested by the Licensor through an in-house plate count, which, using E.coli as a test organism, found a reduction of >99.9999% in E.coli after a 24 hour contact period with the Coating Product. Further in-house testing with oscillating abrasion tester and zirconia balls as the abrasive media, demonstrated that the Coating Product is more durable than a commercially available coating. The Coating Product has not been tested or assessed by any third party to the Licensor or Republic Polytechnic.

It is proposed that the Coating Product will be marketed as "Hyperion".

THE LICENCE AGREEMENT

Key commercial terms

The key commercial terms of the Licence Agreement are as follows:

1. The Licensor has agreed to grant SNC an exclusive, world-wide right and licence to manufacture, use, sell, distribute, import and export the Coating Product, provided that the Coating Product is manufactured in accordance with the specifications and quality standards submitted or approved by the Licensor.
2. The effective date of the Licence Agreement is 2 September 2022.
3. The licence is for an initial term of three years from 2 September 2022, that automatically renews for further three-year terms on expiry of the previous term (each three-year period being a **Term**). The licence will automatically renew for a new Term until either party serves written notice to the other of its intention not to renew the Licence, notice to be provided no less than three months prior to expiration of the current Term. There is no additional break fee.

4. The fee for each Term is a cash payment of SGD\$5,794.30 (NZD\$6,678.51), plus a royalty of 2.1% in Singaporean Dollars of actual gross revenue of the Coating Product that is sold by SNC during the relevant Term.
5. From 3 March 2023, SNC has the right to sub-licence any of its rights under the Licence Agreement to another party mutually agreed upon by SNC and the Licensor.
6. The Licensor will retain all intellectual property rights, title and interests in and to the Coating Product, including all modifications, enhancements, upgrades and derivatives thereof.
7. The Licence Agreement is governed by the laws of the Republic of Singapore. Any dispute that cannot be settled between the parties will be referred to arbitration administered by Singapore International Arbitration Centre, in Singapore.
8. SNC shall be required to accomplish the following minimum performance targets:
 - a. Prior to 2 March 2023, SNC shall complete the feasibility study on the in-house production set-up.
 - b. Prior to 2 September 2023, SNC is required to:
 - i. Establish an operation team to carry out and execute the business of the Coating Product;
 - ii. Commence marketing efforts and establish the pilot commercial facility (including securing regulatory permits, licences and/or approvals in relation to the Coating Product).
 - c. Prior to 2 September 2024, SNC is to secure five customers for the Coating Product with a minimum revenue requirement.
 - d. From 2 September 2025, SNC is required to achieve a further minimum revenue requirement.
 - e. If SNC fail to meet any minimum revenue requirement, SNC will be required to pay the 2.1% royalty on the shortfall revenue between the minimum revenue requirement and the actual revenue. If SNC does not pay the amount, the licence will become a non-exclusive licence.
9. SNC must manufacture and sell the Coating Product in accordance with the Licensor's specifications and quality standards.

Condition

The Licence Agreement is conditional on the shareholders of SNC approving the entry into the Licence Agreement as required under the NZX Listing Rules. This condition must be satisfied by Tuesday 31 January 2023. There are no other outstanding conditions.

Should the condition not be satisfied, the Licence Agreement will terminate.

Due Diligence

During its investigation of opportunities for SNC to acquire a new operating business, the SNC Board compared the Coating Product to commercially available products, including other self-cleaning coating products with photocatalytic behaviour. The SNC Board considered that the Coating Product had better application, including better abrasive and scratch resistance than those in the market,

SNC reviewed research reports prepared by the Licensor and Republic Polytechnic on the Coating Product to inform SNC of the quality of the Coating Product. SNC has not received or reviewed any independent research reports or valuations in respect of the Coating Product.

The SNC Board has had discussions with potential customers, who have evaluated samples of the Coating Product and provided feedback to SNC that the Coating Product is likely to meet the potential customers' requirements. The SNC Board took these discussions on the commercial feasibility of the Coating Product into consideration.

If the entry into the Licence Agreement is approved, SNC's due diligence into the Coating Product will remain ongoing as the pilot manufacturing facility is established and the Coating Product is manufactured, distributed and sold during the initial Term of the Licence Agreement. As part of the pilot manufacturing facility, SNC will engage a third party to begin manufacturing the Coating Product at a commercial scale and arrange certification for the manufactured products from an independent, accredited, third-party laboratory (see description of the key terms of the Pilot Outsourcing Agreement below).

The perceived success, or lack thereof, of the arrangement during the initial Term of the Licence Agreement will influence whether SNC decides to renew the Licence Agreement for a further Term, to reconsider or renegotiate any further agreements (including, if agreed and finalised by the parties, the Pilot Outsourcing Agreement) as required for the commercialisation, manufacture, and supply of the Coating Product or to begin manufacturing the Coating Product for use on other surfaces as well as glass, such as paint, rubber or plastic.

PILOT OUTSOURCING AGREEMENT

SNC is currently negotiating the terms of an outsourcing services contract with the Licensor under which SNC proposes to engage the Licensor to set up a pilot manufacturing facility and recruit the necessary core personnel to initiate the process to produce the Coating Product on a commercial scale (**Pilot Outsourcing Agreement**).

The Pilot Outsourcing Agreement terms are still under negotiation between the parties as at the date of this Notice. SNC will update the market regarding the entry (or otherwise) into the Pilot Outsourcing Agreement. If SNC enters into the Pilot Outsourcing Agreement, it will update the market with any material changes to the key commercial terms below.

Under the Pilot Outsourcing Agreement, it is proposed that the Licensor will rent a manufacturing facility in Malaysia, including the storage and equipment necessary to manufacture the Coating Product as a pilot for commercial scale manufacture. It is anticipated that the Licensor will provide services in relation to obtaining licences and permits for the manufacture of the Coating Product, identifying suppliers for raw materials, arranging the testing of the manufactured products and recruiting and training core personnel.

Once the suppliers for the raw materials have been identified by the Licensor, SNC will pay the suppliers directly and will be responsible for any other administrative matters in relation to commercialisation of the Coating Product.

Key commercial terms

As at the date of this Notice of Meeting, the key commercial terms of the Pilot Outsourcing Agreement are proposed by SNC to be as follows:

1. Under the Pilot Outsourcing Agreement, the Licensor will:
 - a. identify and set up the pilot manufacturing facility and equipment;
 - b. enter into and manage any leases for the facility and equipment;
 - c. obtain appropriate licences and permits required for the pilot manufacturing facility;
 - d. identify suppliers for the raw materials needed for production of the Coating Product;

- e. send the manufactured products to an independent, accredited, third-party laboratory for any required certifications before sale of the Coating Product, including in relation to ISO22196 (Measurement of antibacterial activity on plastics and other non-porous surfaces) and ISO21702 (Measurement of antiviral activity on plastics and other non-porous surfaces); and
 - f. recruit and train all core personnel, including a General Manager and sales and marketing personnel.
2. In consideration, SNC will pay a fixed fee of approximately NZD\$300,000 per annum towards the renting of the Facilities and a fixed fee of approximately NZD\$100,000 per annum for the engagement of the Licensor to carry out the services listed above including the engagement of core personnel. Invoices under the Pilot Outsourcing Agreement will be payable in 30 day instalments.
 3. A commission is also payable by SNC to the Licensor on each successful sale of the Coating Product, payable to the Licensor on SNC receiving payment in full from a customer. As at the date of this Notice of Meeting, the proposed commission is 30% of gross profit. The percentage-based royalty fee payable to the Licensor under the Licence Agreement reduces the start-up costs associated with outsourcing. It means that both SNC and the Licensor will be motivated to see the business plan succeed and upscale in the future.
 4. SNC proposes that Licensor will be under an obligation to report regularly regarding the commercialisation and manufacturing progress of Coating Product against the deliverables in the Pilot Outsourcing Agreement. The reporting timeframe and nature of how the Licensor will report is yet to be determined by the parties to the Pilot Outsourcing Agreement.
 5. SNC proposes to have the ability to terminate the Pilot Outsourcing Agreement at any time, with prior notice to the Licensor, with no break fees. The notice period for termination has not yet been agreed by the parties to the Pilot Outsourcing Agreement.
 6. The Licence Agreement and the Pilot Outsourcing Agreement are independent. The Licence Agreement is not conditional on the Pilot Outsourcing Agreement continuing for the Licence Agreement to remain in force.

Anticipated annual costs of the Pilot Outsourcing Agreement for initial year

Anticipated annual Facility costs payable to the Licensor (rental)	SGD\$256,000.00	NZD\$295,065.60
Anticipated services costs payable to the Licensor	SGD\$85,000.00	NZD\$97,971.00
Estimated indicative raw material costs payable by SNC directly to the suppliers (variable) [^]	SGD\$152,000.00	NZD\$175,195.20
Total annual anticipated costs*	SGD\$493,000.00	NZD\$568,231.80

*The annual anticipated costs do not include the 30% of gross profit on each sale of products payable to the Licensor under the Pilot Outsourcing Agreement.

[^] The raw material costs are estimated indicative costs only because, as at the date of this Notice of Meeting, the costs of raw materials have not been agreed with proposed suppliers and customers have not been confirmed in order to estimate the required manufacturing volumes for raw materials.

Rationale for Pilot Outsourcing Agreement

The Pilot Outsourcing Agreement is intended to provide SNC with flexibility to upscale or downscale the manufacturing process depending on SNC's future needs.

SNC considers that the Pilot Outsourcing Agreement is appropriate in the pilot manufacturing stage of SNC's business plan, as renting the premises and the equipment necessary for production provides flexibility for SNC to exit if the pilot manufacturing facility does not establish a viable end solution that will achieve SNC's objectives. If SNC decides not to continue the Coating Product business in that form, SNC will not be concerned with unwanted equipment, depreciation costs, maintenance costs and additional rental agreement clauses. The Pilot Outsourcing Agreement will also reduce the time and cost of SNC recruiting and training key personnel, and SNC will not carry the operational costs related to employees such as salaries, benefits, and medical and social security funds.

SNC considers that the services, equipment and facilities under the Pilot Outsourcing Agreement will enable SNC to meet the needs of initial sales orders for the Coating Product.

Through the involvement of the Licensor during the pilot manufacturing stage, SNC can ensure that the production of the Coating Product complies with the specifications and quality standards as set by the Licensor.

PROPOSED TIMELINE FOR COMMERCIALISATION

If the Licence Agreement is approved by shareholders on Monday 9 January 2023, SNC proposes the following initial timeline for commercialisation of the rights granted under the Licence Agreement:

- Entry into the Pilot Outsourcing Agreement (in a form to be agreed by the relevant parties) in or around Q4 2022.
- Subject to provision of the services by the Licensor under the Pilot Outsourcing Agreement, manufacture of the Coating Products to commence in or around Q1 2023.

The Board will continue to monitor the progress and success of the pilot business plan through the Board's frequent contact and business relationship with the Licensor, and the reports from the Licensor regarding the commercialisation and manufacturing progress of Coating Product against the deliverables in the Pilot Outsourcing Agreement.

SNC will keep the market updated through the announcement of material information in relation to the Licence Agreement and the Pilot Outsourcing Agreement in accordance with its continuous disclosure obligations.

OTHER ASPECTS OF THE BUSINESS PLAN AND FUTURE STEPS

Except for the services proposed to be outsourced to the Licensor under the Pilot Outsourcing Agreement, SNC will be responsible for other administrative matters in relation to the commercialisation of the rights to be granted under the Licence Agreement.

SNC will be responsible for the costs of raw materials and will pay these directly to the relevant suppliers. The raw material costs are yet to be negotiated with the suppliers, as this will form part of the Licensor's services proposed to be provided under the Pilot Outsourcing Agreement. The raw materials costs will vary according to the required manufacturing volumes, which depend on SNC securing customers for the Coating Products. SNC has estimated an indicative raw material cost in the initial year of the business as SGD\$152,000 (NZD\$175,195.20) but these figures are indicative only and subject to confirmation during the pilot manufacturing stage.

SNC has engaged in discussions with potential commercial customers in Singapore and Malaysia who have shown interest in the product. Discussions are well progressed with a glass manufacturer in Malaysia to trial the product in their production process early in 2023.

In addition to the licences, permits and certifications contemplated under the Pilot Outsourcing Agreement, SNC will work alongside the Licensor to investigate any other licences, permits and certifications that may be required to proceed with the distribution and sale of the Coating Product in any jurisdiction in which SNC intends to manufacture or sell the Coating Products.

After the initial pilot manufacturing stage contemplated under the Pilot Outsourcing Agreement, depending on the success or otherwise of the initial commercialisation activities, SNC may need to enter into alternative agreements for the ongoing commercialisation of the rights granted under the Licence Agreement. For example, higher demand for the Coating Products may necessitate establishment of a manufacturing facility in a different form. Alternatively, where the pilot manufacturing facility does not establish that it can achieve SNC's objectives, SNC may terminate the Pilot Outsourcing Agreement in accordance with its terms.

SNC plans to absorb costs associated with the business plan using the Company's current cash reserves. SNC does not consider it necessary to raise further capital to achieve the objectives of the business plan.

RISKS

As with any transaction and any business, there are associated risks relating to the business venture to develop and sell the Coating Product.

Under each of the following headings, the applicable risks are laid out. There is, however, no guarantee that the significance of different risks will not change, or other risks will not emerge. Although SNC may implement risk mitigation strategies to reduce the potential impact of some of the risks outlined below, any such strategies may not remove the risks altogether and may only reduce the impact of a risk if it materialised.

Early stage business

The proposed risk around the commercialisation and manufacturing of the Coating Product is higher for an early-stage business than a more established business. At the outset, the initial costs to commercialise the rights under the Licence Agreement are likely to exceed the revenue earned from the commercialisation activities until such time as SNC can attract customers and break even. As SNC is proposing to enter into the initial stage to manufacture and sell the Coating Product at a commercial scale for the first time, the commercial feasibility, quality control and customer interest and response is materially uncertain.

Until such time as revenue exceeds the costs to commercialise the rights under the Licence Agreement, SNC will be relying on its cash reserves. To the extent the commercialisation is not viable, or customers do not grow, SNC's ability to commercialise the rights under the Licence Agreement will be materially impacted and could have a material adverse impact on SNC's cash position.

During SNC's due diligence process, SNC engaged with potential customers to receive their feedback on the Coating Technology and to gauge the interest in the market. The SNC Board has since received positive feedback and will continue to engage in other potential customers during the pilot manufacturing stage.

Failure to attract customers

The success of the Licence Agreement relies on SNC's ability to attract customers to commence earning revenue. Attracting new customers can be a long marketing and cost bearing process with no guarantee of success. Reasons that customers may be slow to adopt the Coating Product and services include (but are not limited to):

- preference for the products of competitors, where they exist, due to familiarity with those products or for various other reasons;
- lack of demand for products like the Coating Product; and
- lack of awareness of products like the Coating Product.

SNC will initially rely on the Licensor to recruit core sales and marketing personnel through the Pilot Outsourcing Agreement. The key personnel will be trained and equipped with all necessary knowledge required to operate the business marketing the Coating Product. SNC will initially focus on marketing the Coating Product in Singapore and Malaysia, with the potential to expand globally, such as New Zealand, however, SNC will only seek to expand into other markets when it becomes appropriate to do so.

Competition and new technologies

As at the date of the Notice of Meeting, the Licensor's intellectual property in the Coating Product is not registered and the SNC understands that the Licensor is still investigating whether or not the intellectual property is in a registrable form. The Licence Agreement is dependent on the Licensor's ability to protect the intellectual property rights of the Coating Product. SNC relies on such intellectual property rights and there is a risk that the Licensor's may fail to adequately protect its rights, resulting in competitors offering similar or the same products as the Coating Product. There is also risk that larger and more established companies develop and offer services similar to the Coating Product at a grander scale or at a more affordable price.

During SNC's due diligence into the Licence Agreement, the SNC Board compared the Coating Product to commercially available products, including other self-cleaning coating products with photocatalytic behaviour. The SNC Board considered that the Coating Product had better application, including better abrasive and scratch resistance than those in the market. SNC will continue to review the viability of the Coating Product during the pilot manufacturing stage.

Reliance on the Licensor

SNC relies on the relationship between SNC and Licensor continuing in good faith for the duration of each Term of the Licence Agreement.

Through the Pilot Outsourcing Agreement, SNC is relying on the Licensor to obtain appropriate licences, permits and certifications required for the pilot manufacturing facility and manufactured products, to procure equipment and raw materials to manufacture the Coating Product and to recruit key personnel for the manufacture and sale of the Coating Products. There is a risk that the Licensor may give notice to terminate the Pilot Outsourcing Agreement or fail to perform the Pilot Outsourcing Agreement, which would mean that SNC would have to enter into a new agreement or source its own facilities, equipment, staff and materials, delaying SNC's business plan.

The Licence Agreement and the Pilot Outsourcing Agreement are independent. The Licence Agreement is not conditional on the Pilot Outsourcing Agreement continuing for the Licence Agreement to remain in force.

Jurisdictional risk

The Licence Agreement is governed by the laws of the Republic of Singapore. Any dispute that cannot be settled between the parties will be referred to arbitration administered by Singapore International Arbitration Centre, in Singapore.

If a dispute arises between SNC and the Licensor, or any sub-licensee and the Licensor, SNC would need to engage in dispute resolution processes, including arbitration, in Singapore. The governing law and dispute resolution provisions in the Licence Agreement provide the parties certainty of the jurisdiction, location and forum for any disputes. However, there is a risk that the ease and availability of engaging in any dispute or the certainty of enforcing any award will be unknown to SNC.

Regulatory risk

Before SNC can sell and commercialise the Coating Product, it must obtain the necessary permits and licences to do so in each jurisdiction. There is a risk that the Coating Product will not meet the requirements under the relevant standards and authorities.

SNC considers this risk low as the Coating Product and the raw materials used are non-toxic. The Pilot Outsourcing Agreement has also been negotiated to include the responsibility for the Licensor to obtain any necessary licenses and permits required. During the pilot manufacturing stage, SNC will continue to investigate any additional licenses that may be needed to proceed with sales or end user applications in any jurisdiction in which SNC proposes to market or sell the Coating Product.

EFFECT OF RESOLUTIONS

Effect of the Resolution passing

If the Resolution is passed:

- The Licence Agreement will commence and SNC will have exclusive, world-wide rights to manufacture and sell the Coating Product.
- Subject to agreement of relevant terms, SNC will enter into the Pilot Outsourcing Agreement with the Licensor, under which the Licensor will provide services to SNC including the set up of a pilot manufacturing facility for the Coating Products.
- The SNC Board will monitor the success of the business plan during the pilot manufacturing stage of the business.
- SNC will be able to continue seeking similar opportunities in the antimicrobial sector.

Effect of the Resolution not passing

The effect of the Resolution not passing is as follows:

- The conditions to the Licence Agreement will not be met and the Licence Agreement will terminate.
- SNC will remain having no operating business or source of income.
- SNC will have incurred sunk costs in connection with the entry into the Licence Agreement.
- SNC may have to consider winding up and returning its capital to shareholders.

REQUIREMENTS FOR RESOLUTION

NZX Listing Rule 5.1.1(a) – Change in nature of business

NZX Listing Rule 5.1.1(a) provides that, except with prior approval by an ordinary resolution, SNC, or any of its subsidiaries, may not enter into any transaction or series of transactions to acquire, sell, exchange, or otherwise dispose of assets of SNC which would significantly change, either directly or indirectly, the nature of SNC's or any subsidiary of SNC's business.

The entry into the Licence Agreement and the commercialisation of the rights granted under the Licence Agreement would constitute a series of 'transactions' for the purposes of NZX Listing Rule 5.1.1(a) as it would significantly change the nature of SNC's business from a listed shell company with no operating business or source of income to a company that will manufacture and commercialise the Coating Product.

The entry into the Licence Agreement and the commercialisation of the rights granted under the Licence Agreement is not considered a “major transaction” for the purposes of the Companies Act 1993 nor a series of transactions that involve a “Gross Value” above 50% of SNC’s average market capitalisation for the purposes of NZX Listing Rule 5.1.1(b).